

PRAIRIE ROAD WATER DISTRICT
Monroe, Louisiana

FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2006 and 2005

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8/22/07

**PRAIRIE ROAD WATER DISTRICT
MONROE, LOUISIANA**

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REQUIRED SUPPLEMENTAL INFORMATION

**PRAIRIE ROAD WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

Our discussion and analysis of Prairie Road Water District's (hereafter referred to as the District) financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2006. Please read it in conjunction with the District's financial statements that follow.

BASIC FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, provides that special-purpose governments engaged only in business-type activities should present only the financial statements required for enterprise funds. For these governments, basic financial statements and required supplemental information (RSI) consist of:

- Management's discussion and analysis (MD&A)
- Statement of net assets
- Statement of revenues, expenses, and changes in net assets
- Statement of cash flows
- Notes to the financial statements
- RSI other than MD&A, if applicable

The District is a special-purpose government engaged only in business-type activities.

Enterprise Fund Financial Statements

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets provide information in a way that shows the change in the District's financial condition resulting from the current year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most businesses. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and the changes in them. Net assets - the difference between assets (what the District owns) and liabilities (what the District owes) is a way to measure the financial position of the District. Over time, increases or decreases in the District's net assets are an indicator of whether the District's financial position is improving or deteriorating.

The Statement of Cash Flows provides information on the changes in cash during the year. This statement reports the net cash provided or used by operating activities, capital and related financing activities, and investing activities. This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District is a special-purpose government engaged in business-type activities. Accordingly, only fund financial statements are presented as the basic financial statements, comprised of two components: (1) fund financial statements and (2) a series of notes to the financial statements. These provide information about the activities of the District as a whole and present a longer-term view of the District's finances.

**PRAIRIE ROAD WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

COMPARATIVE ANALYSIS OF FINANCIAL DATA

The District's total net assets increased by \$48,626 during 2006. Operating revenues increased by \$36,490. Operating expenses decreased \$52,254. The following presents an analysis of net assets and changes in net assets of the District's business-type activities:

NET ASSETS		
	<u>2006</u>	<u>2005</u>
Assets:		
Current and other assets	\$ 123,316	\$ 58,943
Capital assets (net)	<u>212,195</u>	<u>234,457</u>
Total assets	<u>335,511</u>	<u>293,400</u>
Liabilities:		
Current	98,532	80,047
Long-term	<u>211,000</u>	<u>236,000</u>
Total liabilities	<u>309,532</u>	<u>316,047</u>
Net assets:		
Invested in capital assets, net of debt	(23,805)	(23,543)
Unrestricted	<u>49,784</u>	<u>896</u>
Total net assets	<u>\$ 25,979</u>	<u>\$ (22,647)</u>

CHANGE IN NET ASSETS		
	<u>2006</u>	<u>2005</u>
Operating revenues	\$ 311,919	\$ 275,429
Operating expenses	(247,968)	(300,222)
Nonoperating revenues (expenses)	<u>(15,325)</u>	<u>2,937</u>
Change in net assets	48,626	(21,856)
Beginning net assets (2005 restated)	<u>(22,647)</u>	<u>(791)</u>
Ending net assets	<u>\$ 25,979</u>	<u>\$ (22,647)</u>

OVERALL FINANCIAL POSITION

The District's net gain for the year was \$48,626. Unrestricted net assets (those assets available to finance daily operations of the district) were \$49,784 at year end. The amount invested in capital assets, net of related debt was (\$23,805).

**PRAIRIE ROAD WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

CAPITAL ASSETS AND DEBT

Capital Assets

At the end of the year, the District had capital assets (net of accumulated depreciation) totaling \$212,195. Capital assets include the water system, buildings and improvements, and vehicles and equipment costing \$1,000 or more.

Debt

At year end the District had \$236,000 in outstanding long-term debt. The district issued certificates of indebtedness in the amount of \$120,000 during 2004 to pay for the cost of the office building. Interest expense for the year was \$15,325.

ECONOMIC FACTORS AND NEXT YEAR EXPECTATIONS

Due to changes in management and operations during 2006, the District substantially improved its financial position by increasing revenue and decreasing expenses. While future changes will not be as dramatic as the change from 2005 to 2006, we expect continued improvement and stability.

During 2006, the District was notified of a violation of maximum contamination limits. An engineer has been engaged and plans are under way to convert the water system to a charcoal system that will correct the contamination problem. We expect the improvements to be complete by the end of 2007.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Dorth Blade, President, 2176 Prairie Road, Monroe, Louisiana 71202.



Hulsey, Harwood & Co.

A Professional Accounting Corporation

Certified Public Accountants

Independent Auditor's Report

Prairie Road Water District
Monroe, Louisiana

We have audited the accompanying financial statements of the Prairie Road Water District, a component unit of the Ouachita Parish Police Jury, as of December 31, 2006 and 2005 and each of the years then ended, as listed in the table of contents. These financial statements are the responsibility of Prairie Road Water District's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

We were unable to obtain adequate supporting documentation for 2005 expenses totaling \$21,338 which are included in the accompanying 2005 financial statements.

In our opinion, except for the effects on the 2005 financial statements, if any, as might have been determined to be necessary had we been able to examine adequate supporting documentation for expenses totaling \$21,338 which are included in the accompanying 2005 financial statements, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Prairie Road Water District, as of December 31, 2006 and 2005, and the respective changes in financial position, and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2007, on our consideration of Prairie Road Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Prairie Road Water District
Monroe, Louisiana
Independent Auditors' Report,
December 31, 2006

The management's discussion and analysis on pages 1 through 3 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the financial statements that comprise the Prairie Road Water District's basic financial statements. The Schedule of Compensation Paid Commissioners and the Status of Prior Audit Findings listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

HULSEY, HARWOOD & CO., CPAs
A Professional Accounting Corporation

Hulsey, Harwood & Co.

March 13, 2007

**PRAIRIE ROAD WATER DISTRICT
MONROE, LOUISIANA**

**STATEMENTS OF NET ASSETS
AS OF DECEMBER 31, 2006 AND 2005**

ASSETS	2006	2005
Current assets:		
Cash	\$ 80,828	\$ 14,973
Receivables, net of allowance for doubtful accounts	34,611	35,071
Inventories	7,877	6,638
Prepaid expenses	-	2,261
Total current assets	<u>123,316</u>	<u>58,943</u>
Non-current assets:		
Capital assets	1,016,713	1,014,637
Accumulated depreciation	<u>(804,518)</u>	<u>(780,180)</u>
Total non-current assets	<u>212,195</u>	<u>234,457</u>
TOTAL ASSETS	<u>\$ 335,511</u>	<u>\$ 293,400</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 29,874	\$ 31,751
Payroll taxes payable	2,356	3,331
Accrued liabilities	8,109	8,788
Accrued interest payable	5,993	987
Customer deposits	15,200	13,190
Matured bonds payable	12,000	-
Current portion of long-term debt	<u>25,000</u>	<u>22,000</u>
Total current liabilities	<u>98,532</u>	<u>80,047</u>
Non-current liabilities:		
Revenue bonds payable	134,000	146,000
Loans payable	<u>77,000</u>	<u>90,000</u>
Total non-current liabilities	<u>211,000</u>	<u>236,000</u>
Total liabilities	<u>309,532</u>	<u>316,047</u>
NET ASSETS		
Invested in capital assets, net of related debt	(23,805)	(23,543)
Unrestricted	<u>49,784</u>	<u>896</u>
Total net assets	<u>25,979</u>	<u>(22,647)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 335,511</u>	<u>\$ 293,400</u>

See accompanying notes and auditor's report.

**PRAIRIE ROAD WATER DISTRICT
MONROE, LOUISIANA**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSE
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
Operating revenues:		
Water sales	\$ 300,392	\$ 266,248
Connection and reconnection fees	6,740	2,457
Late charges	4,026	4,616
Other revenue	761	2,108
Total operating revenues	<u>311,919</u>	<u>275,429</u>
Operating expenses:		
Bad debt expense	1,052	780
Chlorine and chemicals	8,999	9,937
Commissioners fees	475	200
Contract labor	399	144
Depreciation	24,338	23,970
Equipment rental	1,240	1,539
Gas and oil	4,446	3,561
Insurance	15,046	22,361
Maintenance and repairs	2,939	38,545
Office supplies and expense	11,891	9,499
Other operating expenses	4,001	1,768
Payroll taxes	7,160	8,650
Postage	3,820	4,060
Professional services	37,252	8,954
Salaries and wages	85,833	110,869
Supplies and parts	6,636	13,117
Suspense	804	8,296
Taxes, licenses and permits	1,039	5
Travel	2,181	3,229
Utilities, telephone and pager	28,417	30,738
Total operating expenses	<u>247,968</u>	<u>300,222</u>
Operating income (loss)	<u>63,951</u>	<u>(24,793)</u>
Nonoperating revenues (expenses):		
Intergovernmental revenue	-	18,635
Interest expense	(15,325)	(15,698)
Total nonoperating revenues (expenses)	<u>(15,325)</u>	<u>2,937</u>
Change in net assets	48,626	(21,856)
Net assets - beginning (2005 restated)	<u>(22,647)</u>	<u>(791)</u>
Net assets - ending	<u>\$ 25,979</u>	<u>\$ (22,647)</u>

See accompanying notes and auditor's report.

**PRAIRIE ROAD WATER DISTRICT
MONROE, LOUISIANA**

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 314,389	\$ 266,795
Payments to suppliers	(141,206)	(150,942)
Payments to employees, laborers and commissioners	(86,308)	(110,869)
Net cash provided by operating activities	<u>86,875</u>	<u>4,984</u>
CASH FLOWS FROM NONCAPITAL FINANCING		
Receipts from others	-	18,705
Net cash provided by noncapital financing activities	<u>-</u>	<u>18,705</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(2,076)	-
Principal paid on capital debt	(10,000)	(32,000)
Interest paid on capital debt	(8,944)	(19,425)
Net cash used by capital and related financing activities	<u>(21,020)</u>	<u>(51,425)</u>
Net increase (decrease) in cash and cash equivalents	65,855	(27,736)
Cash and cash equivalents, beginning of year	14,973	42,709
Cash and cash equivalents, end of year	<u>\$ 80,828</u>	<u>\$ 14,973</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 63,951	\$ (24,793)
Depreciation expense	24,338	23,970
Provision for losses on receivables	1,052	-
(Increase) decrease in receivables	(592)	(16,092)
(Increase) decrease in prepaid expense	2,261	(2,262)
(Increase) decrease in inventories	(1,239)	(1,492)
Increase (decrease) in accounts payable	(1,877)	20,263
Increase (decrease) in accrued liabilities	(3,029)	4,132
Increase (decrease) customer deposits	2,010	1,258
Total adjustments	<u>22,924</u>	<u>29,777</u>
Net cash provided by operating activities	<u>\$ 86,875</u>	<u>\$ 4,984</u>
NONCASH INVESTING, CAPITAL AND FINANCIAL		
None		

See accompanying notes and auditor's report.

**PRAIRIE ROAD WATER DISTRICT
MONROE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

Introduction

Prairie Road Water District was created by the Ouachita Parish Police Jury on May 8, 1972, as authorized by Louisiana Revised Statute 33:3811 for the purpose of supplying safe drinking water to the population of the district. The district is governed by a five member board appointed by the police jury to serve indefinite terms of office. Prairie Road Water District commissioners are entitled to \$50 for each meeting if they meet every other month, \$25 for each regular monthly meeting and \$25 for each special board meeting they attend. The district serves approximately 800 customers.

Governmental Accounting Standards Board (GASB) Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Prairie Road Water District is considered a component unit of the Ouachita Parish Police Jury. As a component unit, the accompanying financial statements may be included within the reporting of the primary government, either blended into those financial statements or separately reported as a discrete component unit.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statements

Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, provides that special-purpose governments engaged only in business-type activities should present only the financial statements required for enterprise funds. For these governments, basic financial statements and required supplemental information (RSI) consist of:

1. Management's discussion and analysis (MD&A)
2. Statement of net assets
3. Statement of revenues, expenses, and changes in net assets
4. Statement of cash flows
5. Notes to the financial statements
6. RSI other than MD&A, if applicable

The Prairie Road Water District is a special-purpose government engaged only in business-type activities.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Enterprise fund statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Prairie Road Water District has elected not to follow subsequent private-sector guidance.

**PRAIRIE ROAD WATER DISTRICT
MONROE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operation. The operating revenues of the Prairie Road Water District are water sales, connection and reconnection fees, late charges, and other miscellaneous operating revenue. Operating expenses for enterprise funds include the costs of the services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Deposits

Cash includes petty cash and amounts in non-interest-bearing demand deposits. State law and the district's investment policy allow the district to invest in collateralized certificates of deposits, government-backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government-backed securities.

Receivables

Receivables for water sales are generally shown net of an allowance for doubtful accounts.

Inventory

Inventories consist of parts and supplies, valued at cost, using the first-in, first-out-method. During the year, purchases of inventory items are charged to expense. At the end of the year, the inventory asset account is adjusted to the value of the items on hand at the end of the year.

Capital Assets

Capital assets, which include the water system, buildings, and vehicles and equipment, are reported in the enterprise fund financial statements. All of the district's capital assets are capitalized at historical cost. The Prairie Road Water District maintains a threshold level of \$1,000 or more for capitalizing capital assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

All capital assets are depreciated using the straight-line method over the following useful lives:

	Estimated <u>Lives</u>
Infrastructure - water system	25 Years
Buildings	25 Years
Vehicles and equipment	5 Years

**PRAIRIE ROAD WATER DISTRICT
MONROE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

The district's full-time employees earn from five to fifteen days of vacation leave per year depending upon length of service. Vacation must be taken in the calendar year earned. Full-time employees earn four days of sick leave per year after ninety days continuous employment. Sick leave may not be accumulated. In addition, full-time employees earn one fun day per calendar year, after ninety days continuous employment.

Long-term Obligations

Long-term debt such as revenue bonds payable and loans payable are reported as liabilities on the statement of net assets.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, disclosures, and revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - RESTATEMENT OF NET ASSETS

Net assets, December 31, 2004	\$ 8,897
Adjustments:	
Record additional payables	(15,888)
Record unbilled receivables	<u>6,200</u>
Net assets, December 31, 2004, restated	<u>\$ (791)</u>

NOTE 3 - DEPOSITS IN FINANCIAL INSTITUTIONS

At December 31, 2006 and 2005, the District had cash (book balances) as follows:

	<u>2006</u>	<u>2005</u>
Petty cash	\$ 200	\$ 300
Non-interest bearing checking accounts	<u>80,628</u>	<u>14,673</u>
Total	<u>\$ 80,828</u>	<u>\$ 14,973</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits, or the resulting bank balances, must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. At December 31, 2006, the Prairie Road Water District has \$87,166 in deposits (collected bank balances). These deposits are secured from risk by \$87,166 of federal deposit insurance. However, the bank balances periodically exceeded federal deposit insurance coverage during the year. Management believes the risk of loss is mitigated by depositing with reputable financial institutions.

**PRAIRIE ROAD WATER DISTRICT
MONROE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

NOTE 4 - ACCOUNTS RECEIVABLE

At December 31, 2006, the District has net receivables of \$34,611 as follows:

	<u>2006</u>	<u>2005</u>
Billed water sales	\$ 27,170	\$ 27,035
Unbilled water sales	9,273	7,400
Other	-	1,416
Subtotal	<u>36,443</u>	<u>35,851</u>
Allowance for Doubtful Accounts	<u>(1,832)</u>	<u>(780)</u>
Total net receivables	<u>\$ 34,611</u>	<u>\$ 35,071</u>

NOTE 5 - CAPITAL ASSETS

Capital assets and depreciation activity as of and for the years ended December 31, 2006 and 2005, is as follows:

	<u>Balance at January 1, 2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2006</u>
Capital assets being depreciated:				
Water system	\$ 813,268	\$ -	\$ -	\$ 813,268
Buildings	172,753	-	-	172,753
Vehicles and equipment	28,616	2,076	-	30,692
Total capital assets being depreciated	<u>1,014,637</u>	<u>2,076</u>	<u>-</u>	<u>1,016,713</u>
Less accumulated depreciation for:				
Water system	719,400	19,314	-	738,714
Buildings	33,373	4,216	-	37,589
Vehicles and equipment	27,407	808	-	28,215
Total accumulated depreciation	<u>780,180</u>	<u>24,338</u>	<u>-</u>	<u>804,518</u>
Total assets being depreciated, net	<u>\$ 234,457</u>	<u>\$ (22,262)</u>	<u>\$ -</u>	<u>\$ 212,195</u>

**PRAIRIE ROAD WATER DISTRICT
MONROE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

NOTE 5 - CAPITAL ASSETS (Continued)

	Balance at January 1, 2005	Increases	Decreases	Balance at December 31, 2005
Capital assets being depreciated:				
Water system	\$ 813,268	\$ -	\$ -	\$ 813,268
Buildings	172,753	-	-	172,753
Vehicles and equipment	28,616	-	-	28,616
Total capital assets being depreciated	<u>1,014,637</u>	<u>-</u>	<u>-</u>	<u>1,014,637</u>
Less accumulated depreciation for:				
Water system	700,086	19,314	-	719,400
Buildings	29,157	4,216	-	33,373
Vehicles and equipment	26,967	440	-	27,407
Total accumulated depreciation	<u>756,210</u>	<u>23,970</u>	<u>-</u>	<u>780,180</u>
Total assets being depreciated, net	<u>\$ 258,427</u>	<u>\$(23,970)</u>	<u>\$ -</u>	<u>\$ 234,457</u>

Depreciation expense of \$24,338 and \$23,970 for the years ended December 31, 2006 and 2005, respectively, is reported in the statement of revenues, expenses, and changes in net assets.

NOTE 6 - LONG-TERM OBLIGATIONS

The following is a summary of long-term debt transactions for the years ended December 31, 2006 and 2005:

	Revenue Bonds	Certificates of Indebtedness	Total
Balance at January 1, 2006	\$ 158,000	\$ 100,000	\$ 258,000
Additions	-	-	-
Reductions	(12,000)	(10,000)	(22,000)
Balance at December 31, 2006	<u>\$ 146,000</u>	<u>\$ 90,000</u>	<u>\$ 236,000</u>
 Balance at January 1, 2005	 \$ 180,000	 \$ 110,000	 \$ 290,000
Additions	-	-	-
Reductions	(22,000)	(10,000)	(32,000)
Balance at December 31, 2005	<u>\$ 158,000</u>	<u>\$ 100,000</u>	<u>\$ 258,000</u>

The following is a summary of the current (due in one year or less) and long-term (due in more than one year) portions of debt as of December 31, 2006:

Current portion	\$ 25,000
Long-term portion	211,000
Total	<u>\$ 236,000</u>

**PRAIRIE ROAD WATER DISTRICT
MONROE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

NOTE 6 – LONG-TERM OBLIGATIONS (Continued)

Outstanding debt at December 31, 2006, consists of revenue bonds payable and certificates of indebtedness totaling \$236,000 with maturities from 2007 until 2013 and interest rates from 3% to 5.625%. Loan principal and interest payable in the next fiscal year are \$25,000 and \$12,413, respectively. Pertinent information about each balance is as follows:

	<u>\$325,000 Bonds</u>	<u>\$120,000 Certificates of Indebtedness</u>
Original issue date	12/1/1972	2/25/2004
Interest rate	5.63%	3% to 5%
Final payment due	12/1/2012	12/1/2013
Interest to maturity	\$33,807	\$18,900
Principal outstanding	\$146,000	\$90,000
Funding source	Water revenue	Water revenue

All outstanding debt is due as follows:

<u>Year Ending December 31,</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2007	\$ 25,000	\$ 12,413	\$ 37,413
2008	25,000	11,169	36,169
2009	30,000	9,925	39,925
2010	40,000	8,400	48,400
2011	45,000	6,244	51,244
2012 - 2013	71,000	4,556	75,556
	<u>\$ 236,000</u>	<u>\$ 52,707</u>	<u>\$ 288,707</u>

NOTE 7 - RISK MANAGEMENT

The District purchases commercial insurance to reduce the risk of loss resulting from property damage or liability claims. There have been no significant reductions in insurance coverage from the prior year. Settlements have not exceeded insurance coverage in any of the past three fiscal years.

**PRAIRIE ROAD WATER DISTRICT
MONROE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

NOTE 8 - CONTINGENCIES

During 2006, the former office manager and former board president were convicted of filing false public records. In December 2006, the District's audited 2005 financial statements were released which included similar findings. The Ouachita Parish Sheriff is currently conducting an investigation of those findings.

In June 2006, the District received an order from the State of Louisiana, Department of Health and Hospitals to correct a condition in which the levels of a particular contaminant exceeded the maximum allowed. The correction will require updates to the water system. The District has engaged an engineer who prepared plans for the improvements and is assisting the District with applying for funding. The District expects to complete the improvements by the end of 2007.

The effect on the financial statements for the years ended December 31, 2006 and 2005 that may result from these events cannot be determined at this time.

OTHER SUPPLEMENTAL INFORMATION

**PRAIRIE ROAD WATER DISTRICT
MONROE, LOUISIANA**

**SCHEDULES OF COMPENSATION PAID COMMISSIONERS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

	2006	2005
Dorth Blade	\$ 125	\$ 50
Ruby Blade	-	-
Bruce Bryan	25	-
James Johnson	125	50
Hebert Munholland	100	-
Tommy Price	-	50
Talmadge Stutts	-	50
William Whitfield	100	-
Total	<u>\$ 475</u>	<u>\$ 200</u>

OTHER REPORTS



Hulsey, Harwood & Co.

A Professional Accounting Corporation

Certified Public Accountants

**Report on Internal Control over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed In Accordance With
*Government Auditing Standards***

**Prairie Road Water District
Monroe, Louisiana**

We have audited the financial statements of the Prairie Road Water District, as of and for each of the years ended December 31, 2006 and 2005, and have issued our report thereon dated March 13, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Prairie Road Water District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Prairie Road Water District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting. The finding numbers are 2006-1, 2006-3 through 2006-9 and 2006-11.

Prairie Road Water District
Monroe, Louisiana
Independent Auditors' Report on Internal Control
over Financial Reporting and on Compliance, etc.
December 31, 2006

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2006-1, 2006-3 through 2006-9 and 2006-11 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Prairie Road Water District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2006-2, 2006-3 and 2006-5 through 2006-11.

We noted certain matters that we reported to management of Prairie Road Water District in a separate letter dated March 13, 2007.

Prairie Road Water District's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Prairie Road Water District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the members of Prairie Road Water District, management, pass-through entities and the Louisiana Legislative Auditor, and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of this report may be limited, under Louisiana Revised Statute 24:513, it is issued by the Legislative Auditor as a public document.

HULSEY, HARWOOD & CO., CPAs
A Professional Accounting Corporation

Hulsey, Harwood & Co.

March 13, 2007

**PRAIRIE ROAD WATER DISTRICT
MONROE, LOUISIANA**

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2006**

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the basic financial statements of the Prairie Road Water District.
2. Nine significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's Report on Compliance and Internal Control over Financial Reporting. Items 2006-1, 2006-3 through 2006-9 and 2006-11 are considered material weaknesses.
3. Nine instances of noncompliance material to the financial statements of the Prairie Road Water District were disclosed during the audit.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

2006-1 Lack of Segregation of Duties

Condition: This deficiency was first reported in finding 2005-1. During the year ended December 31, 2005, the office manager (terminated in March 2006) had access to all assets and records and was responsible for most functions of the District. An outside accountant maintained the general ledger and reconciled the bank account. During 2005, the office manager performed the following tasks:

- Opened mail
- Received payments
- Posted payments
- Prepared deposits
- Deposited funds
- Purchased supplies
- Downloaded and uploaded billing information to and from the handheld meter reader
- Processed consumption readings and prepared and mailed bills
- Received and responded to customer complaints
- Adjusted customer accounts
- Determined accounts to disconnect
- Controlled blank checks
- Issued checks
- Signed checks
- Mailed checks
- Maintained personnel files
- Prepared payroll checks
- Distributed payroll checks

**PRAIRIE ROAD WATER DISTRICT
MONROE, LOUISIANA**

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2006**

2006-1 Lack of Segregation of Duties (Continued)

In August 2005, the Office Manager was arrested for theft and filing false records. In early 2006, she was convicted of filing false public records and terminated and the District hired two new employees. In late 2006, the Board promoted one of the employees to Office Manager and intended to segregate the duties as recommended by us in the 2005 audit. However, the second employee did not return after personal leave in late 2006. A temporary employee has been assisting the Office Manager but the situation has prevented the District from implementing the segregation recommendations.

Criteria: The Committee of Sponsoring Organizations of the Treadway Commission (COSO) defines internal control as, "Internal control is a process, effected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations"

COSO presents the following "Key Concepts":

- Internal control is a *process*. It is a means to an end, not an end in itself.
- Internal control is effected by *people*. It's not merely policy manuals and forms, but people at every level of an organization.
- Internal control can be expected to provide only *reasonable assurance*, not absolute assurance, to an entity's management and board.
- Internal control is geared to the achievement of *objectives* in one or more separate but overlapping categories.

It is important to note that the Board's personal beliefs about individual employees' trustworthiness should not be allowed to interfere with the process of assessing risk. The Board should base the risk assessment on positions and processes rather than people. Hiring people you trust is "a given" if you will. Ideal internal control policies and procedures are often referred to in the accounting and auditing world as "Best Practices". Best practices include dividing duties among employees to ensure that no one person has total control over any single transaction. The duties of custody, authorization and recording are typically segregated.

Effect: The District expended funds for unreasonable and unnecessary expenses. Also see other findings.

**PRAIRIE ROAD WATER DISTRICT
MONROE, LOUISIANA**

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2006**

2006-1 Lack of Segregation of Duties (Continued)

Recommendation: We recommend that the Board evaluate every aspect of operations, consider what policies and procedures should be in place, implement those policies and procedures and monitor those policies and procedures. Risk assessment and monitoring is an ongoing process. This process should include a revision to the District's Company Policy and Employee Manual. The policies should address the following at a minimum:

- a. Code of ethics
- b. Conflict of interest policy
- c. Job descriptions
- d. Detailed leave policies (note that employees should be required to take vacations annually and their duties should be rotated in their absence)
- e. Policy for action to be taken when employees or commissioners are suspected of departure from approved policies or acceptable practices
- f. Policy for action to be taken when employees or commissioners are convicted of a crime
- g. Disaster recovery plan

For your convenience, we have provided a matrix presenting our recommendations for segregation of duties. It is the Board's responsibility to ensure that the District complies with applicable laws and regulations and protects its assets. Therefore, considering that there are three employees who all have access to the District's assets and records, the Board should have a more active, visible role. To effect the proper segregation of duties without burdening any one member, the Board should assign monitoring duties to each Board member. Regular meetings should be held and the minutes should be recorded properly in accordance with Robert's Rules of Order. Additionally, we recommend the purchase of fidelity bonds as appropriate.

Board's Response: We will implement the auditor's recommendations.

**PRAIRIE ROAD WATER DISTRICT
MONROE, LOUISIANA**

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2006**

2006-2 Minutes of Meetings

Condition: This deficiency was first reported in finding 2005-2. Minutes of the Commissions' meetings were not available for the year ended December 31, 2005 and for the period from January 2006 to April 2006. Minutes were available for the May 2006 and September 2006 through December 2006 meetings. No other meetings were held in 2006.

Criteria: Compliance with laws, regulations, contracts and grants is the Board's responsibility. LSA-RS 42:7.1 requires documentation of the following:

- Date, time and place of the meeting
- Members of the Commission recorded as present or absent
- Substance of all matters decided
- Any other information that the Commission chooses to be included

Effect: The District has violated state law and the auditors were unable to utilize the minutes to ascertain Board authorization for certain transactions and decisions.

Recommendation: We recommend that the Board record, file and retain certified copies of the minutes according to the requirements in LSA-RS 42:7.1. Further, the Board should consult Robert's Rules of Order for the proper procedures to follow.

Board's Response: We have implemented the auditors' recommendations.

2006-3 Depositing Funds Timely and In Tact

Condition: This deficiency was first reported in finding 2005-3. During our test of a two month period of 2005 cash receipts, we noted that for eleven days' collections, there was an unreasonable time lag between the date on the deposit slip and the date the deposit cleared the bank. For example, the collections report dated December 21, 2005 indicated that there were cash and checks to deposit of \$566.47 and \$1,827.04, respectively. The check total cleared the bank on January 5, 2006. The original date on the deposit slip was changed to January 4, 2006. The cash total of \$566.47 on the original deposit dated December 21, 2005 was deposited on February 14, 2006.

During our 2005 audit, we performed a test of subsequent receipts from January 1 through March 2006, and noted that eight deposits for cash had not cleared the bank as of audit fieldwork, totaling \$1,879.52 in cash. As of January 31, 2007, \$1,783.52 still had not cleared the bank.

**PRAIRIE ROAD WATER DISTRICT
MONROE, LOUISIANA**

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2006**

2006-3 Depositing Funds Timely and In Tact (Continued)

Criteria: Article VII, Section 14 of the Louisiana Constitution states that "the funds, credit, property, or things of value of the state or any political subdivision shall not be loaned, pledged or donated to or for any person, association, or corporation, public or private." Further, proper internal controls dictate that cash be deposited in tact on a timely basis. It is the Board's responsibility to establish and maintain internal control and to ensure compliance with laws, regulations, contracts and grants.

Effect: Proper control procedures were not followed and cash was at risk for misappropriation.

Recommendation: We recommend that the Board review all collections and deposits for a reasonable time period through June 30, 2006 to determine whether there were any other instances where it appears funds collected were not deposited in the bank. The Board should report its findings to the District Attorney or Sheriff's office. Also see recommendation 2006-1.

Board's Response: We will implement the auditor's recommendations.

2006-4 Billing Errors

Condition: Our 2005 finding number 2005-4 reported, "Multi-unit customers were under billed because accounts were not set up correctly in the billing system. The customers were charged for units but not for water usage resulting in a loss of approximately \$26,000 of annual revenue. We calculated the billings for the multi-unit customers by multiplying the units by the rate per unit and the water consumption by the water rates and compared to the actual billings. We also noted that four commercial customers in our test were over billed \$1.00 for each 1,000 gallons used over 15,000 gallons for a total of approximately \$300." In September 2006 the multi-unit customer accounts were corrected in the billing system. In December 2006, the District refunded overpayments to commercial customers totaling approximately \$700. During our 2006 billing test, one commercial customer was overbilled \$3.29 in the month tested. The customer's account setup was corrected in January 2007.

Criteria: Prudent business practice and the District's established rates require that management ensure that customers are billed accurately and all available revenue is captured for billing and collected. It is the Board's responsibility to establish and maintain internal control.

Effect: The District lost earned revenue and incurred additional audit expenses due to additional time required to investigate errors noted in routine audit procedures. Audit findings indicate increased risk to us as auditors and also affect the nature and extent of procedures in years following audits with findings thus increasing audit cost.

**PRAIRIE ROAD WATER DISTRICT
MONROE, LOUISIANA**

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2006**

2006-4 Billing Errors (Continued)

Recommendation: We recommend that the Board ensure that all setup errors in the billing system have been corrected. Further, the Office Manager should ensure that all new accounts are set up properly.

Board's Response: We will implement the auditor's recommendations.

2006-5 Failure to Properly Collect and Remit Sales Tax

Condition: This deficiency was first reported in 2005 as finding 2005-5. During our test of billings, we noted that sales tax was collected on commercial account revenue but not remitted to the Louisiana Department of Revenue. From our inquiries, it appears that no payments have been made by the District since June 2003. Taxes for the year ended December 31, 2006 and 2005 were \$2,584 and \$2,917, respectively. Penalties and interest through December 31, 2006 totaled approximately \$825 and \$1,375, respectively. As of 2006 audit fieldwork, no payment arrangements have been made with the State and no tax returns have been filed. However, the District is making payments based on notices from the Department of Revenue.

Additionally, during 2006, taxes were not collected on some 2006 commercial sales. Management corrected this error March 13, 2007.

Criteria: Effective July 1, 2003, an amendment to the Louisiana Constitution required that the District collect 3.8% in sales tax from its commercial customers. Regulations require that the tax be remitted to the Louisiana Department of Revenue by the 20th of the month following collection. Penalties and interest are incurred for late remittances. Compliance with laws, regulations, contracts and grants is the Board's responsibility.

Effect: The District is not in compliance with state law and owes penalties and interest to the Louisiana Department of Revenue. The District incurred additional audit expense for the time required to investigate the matter and record the additional liability.

Recommendation: We recommend that the Board remit all future sales tax collections to the State by the due date. Further, the Board should arrange for a payment schedule to remit past collections, penalties, and interest.

Board's Response: We will implement the auditor's recommendations.

**PRAIRIE ROAD WATER DISTRICT
MONROE, LOUISIANA**

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2006**

2006-6 Meter Deposit Errors

Condition: During our 2005 audit, we determined that twenty-five (25) meter deposits were refunded during the year. Of the ten (10) refunds we reviewed, four refunds were correct, two refunds were calculated incorrectly, two customers' files were not available, and two refunds were for the same account. The husband and the wife each received a refund.

We tested ten out of twenty-four refunds during 2006 and noted no exceptions. However, we noted that as of December 31, 2006 there were 915 meter deposits while only 806 customers were billed on the December 2006 billing register. Reviewing the meter deposit list and customer files with the current Office Manager, we determined that there are approximately seventy-nine meter deposits totaling \$1,250 "on hold" that date back to 1993. Customers periodically request that their deposit be held in the event that they want to reactivate their account. It was determined that five of the deposits were for accounts whose owners were deceased. Further, the records indicated that twenty of the meter deposits totaling \$860 had been applied to the customers' final bill but not removed from the District's meter deposit schedule. Finally, the District does not maintain a separate bank account for customer meter deposits.

Criteria: Proper internal control dictates that records are accurately maintained and any refunds are accurately calculated and disbursed. It is the Board's responsibility to establish and maintain internal control. Additionally, a separate bank account provides a better audit trail and more security for the restricted funds. Further, LSA RS 9:151 et. seq. requires that meter deposits held by the District that have not been claimed by the rightful owner after a one year holding period be transferred to the Unclaimed Property Division of the State Treasurer's office.

Effect: Unclaimed meter deposit funds have not been remitted to the State as required by law. Meter deposits are at risk for inappropriate disbursement.

Recommendation: We recommend that management review State Law concerning unclaimed funds and submit any such funds to the State as soon as possible. Further we recommend that a separate bank account be established to set aside the funds held for meter deposits.

Board's Response: We will implement the auditor's recommendations.

**PRAIRIE ROAD WATER DISTRICT
MONROE, LOUISIANA**

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2006**

2006-7 Computer Equipment Missing

Condition: During our 2005 audit procedures related to capital assets, we learned that certain computer equipment was replaced by lesser quality equipment around May 2006 outside of normal business hours by an unknown individual(s).

Criteria: The Board should ensure that all capital assets are safeguarded in accordance with the District's policies and prudent practice. LRS 24:515 requires that detailed records be maintained of all land, buildings and equipment purchased or otherwise acquired by the District. Compliance with laws, regulations, contracts and grants is the Board's responsibility.

Effect: Assets purchased by the District are lost.

Recommendation: We recommend that the Board determine whether any other items are presumed stolen and take further action to recover any missing items. We further recommend that the Board review the statutory requirements for records, ensure that employees are aware of the requirements and ensure that a physical inventory is conducted at least annually. Finally, the Board should require that all capital assets purchased by the District be tagged with the District's name and an identifying number.

Board's Response: We will implement the auditor's recommendations.

2006-8 Unsupported and Unnecessary Expenses

Condition: This deficiency was first reported in 2004 as finding 2004-1 and again in 2005 as finding 2005-8.

In 2004, our predecessor reported that approximately \$24,000 of expenses were paid from petty cash. The predecessor also reported that \$8,721 in expenses were not supported by adequate documentation and that documentation that was available appeared to have been altered. Additionally it was noted that an employee was inappropriately reimbursed for mileage.

In 2005, we scanned the general ledger and vendor transaction reports for unusual items and reviewed support (invoices, cancelled checks, etc.) as we deemed necessary. Additionally, we selected all disbursements over \$1,000 (48), all disbursements in the month of December 2005 (28) and an additional systematic sample of 50 for testing for a total of 126 disbursements. The following table presents the 2005 results:

**PRAIRIE ROAD WATER DISTRICT
MONROE, LOUISIANA**

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2006**

2006-8 Unsupported and Unnecessary Expenses (Continued)

	Sample over \$1,000	December 2005 Sample under \$1,000	Systematic Sample
Total tested	48	28	50
No invoice supporting disbursement	4	1	12
Unnecessary expense of district	2	6	5
Check did not clear bank	1	0	0
Improper posting to account	5	0	7
Improper or missing signatures	1	0	0

The following presents details on selected 2005 exceptions:

1. We found no policy that indicated that the District would pay health insurance for employees. However, during the year ended December 31, 2005, the District paid \$11,762.30 to Blue Cross for health insurance for the former office manager (terminated 2006) and a clerk (terminated in January 2005). Payroll deductions of \$1,214.52 reduced the District's cost to \$10,547.78. Payroll deductions stopped October 7, 2005. During our subsequent event procedures, we noted that \$2,483.70 was paid to Blue Cross for the former office manager's premiums from April to June 2006.
2. A check was written to a pharmacy for a prescription for the former officer manager's son.
3. Checks were written to an aquarium maintenance company for cleaning the aquarium at the District's office. The aquarium allegedly belongs to the former office manager.
4. Several checks were written to a computer service company for computer repairs and maintenance but we were unable to determine whether all services were for the District. Additionally, the owner of company is allegedly a personal friend of the former office manager.

**PRAIRIE ROAD WATER DISTRICT
MONROE, LOUISIANA**

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2006**

2006-8 Unsupported and Unnecessary Expenses (Continued)

5. During the period from January 1, 2005 to August 2, 2005, twenty checks totaling \$14,656.81 were written to petty cash. No checks were written to petty cash after August 2, 2005. The District was unable to present receipts or invoices for \$4,004.96 or if receipts were presented they were from prior years and appeared to be altered. For example, Wal-Mart receipts attached in some cases were hardly readable due to the deterioration of the ink on the receipts. It was possible to see that the dates were 2004 and earlier, it was impossible to read the items purchased and dates and amounts had been changed with a black pen. Also, some receipts did not appear to be an expense of the District. Items such as specialized stamps (Happy Birthday, etc.), a fire place screen, decorations, a rain suit, belt buckles and jeans were listed on the receipts that were available.
6. During the year ended December 31, 2005, the former office manager was reimbursed for both gas and mileage and there was no documentation to support the mileage. The former office manager reimbursed herself for January and February 2006 mileage at \$0.49 per mile, which exceeds the \$0.40 rate in the policy manual as well as IRS rate of \$0.445 beginning January 1, 2006.
7. During 2005, charges were made to the District's credit card for Surehealth Plans which appear to be personal expenses of the former office manager.
8. A check dated March 25, 2005 payable to an individual in the amount of \$3,145.79 was supported by a handwritten document. Upon inquiry of the District Operator we learned that the document was an estimate prepared by the District Operator based on the individual's analysis of work that needed to be done. At our request, current employees obtained a copy of the back of the check from the bank and contacted the payee regarding the check. The check was endorsed with a second endorsement by the former office manager. The payee confirmed that he did not receive the money from the District and did not endorse the check.
9. One check was signed by the former office manager who was not an authorized check signer.
10. There was rarely any evidence that invoices were reviewed by a Commissioner.
11. As of approximately October 2006, the former Board President is still using a cell phone paid for by the District. Current employees are having difficulty terminating the account because it was created with the former office manager's social security number jointly in the employee and the District's name.

For the year ended December 31, 2006, we scanned the general ledger and vendor transaction reports for unusual items and reviewed support (invoices, cancelled checks, etc.) as we deemed necessary. Additionally, we selected all disbursements over \$1,200 (thirty-five) and an additional haphazard sample of sixty for testing for a total of ninety-five disbursements.

**PRAIRIE ROAD WATER DISTRICT
MONROE, LOUISIANA**

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2006**

2006-8 Unsupported and Unnecessary Expenses (Continued)

The following table presents the 2006 results:

	Sample over \$1,200	Additional Sample	Total
Total tested	35	60	95
No invoice supporting disbursement	0	1	1
Unnecessary expense of district	3	6	9
Improper posting to account	1	3	4

The exceptions noted in our 2006 tests were similar to the 2005 exceptions described above and are often repetitive of the 2005 exceptions. All of the errors for lack of invoice and unnecessary expenses occurred before the termination of the former office manager.

It should be noted that the District discussed the prior audits' findings with the Ouachita Parish Sheriff's Office.

Criteria: As discussed in finding 2005-1 and 2006-1, proper internal control requires segregation of duties to prevent one individual from controlling a single transaction. It is the Board's responsibility to establish and maintain internal control and to ensure compliance with laws, regulations, contracts and grants. Article VII, Section 14 of the Louisiana Constitution states that "the funds, credit, property, or things of value of the state or any political subdivision shall not be loaned, pledged or donated to or for any person, association, or corporation, public or private."

Effect: The District paid unnecessary expenses which appear to violate the Louisiana Constitution and the District's policies.

Recommendation: We recommend that the Board continually reassess risks that affect the District and implement changes as deemed necessary. We further recommend that the Board review the items listed above that were not disclosed in prior audits and contact the District Attorney or Sheriff's office.

Board's Response: We will implement the auditor's recommendations.

**PRAIRIE ROAD WATER DISTRICT
MONROE, LOUISIANA**

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2006**

2006-9 Controls over Payroll Expenses

Condition: This deficiency was first reported in the 2004 audit and was repeated in the 2005 audit.

The 2004 finding included excessive payroll expenses compared to the revenue of the District, excessive overtime hours and a lack of evidence of authorization.

The 2005 finding included a lack of appropriate documentation in personnel files; lack of evidence of authorization for time sheets/hours and rates; excessive overtime; errors in pay dates, hours paid and pay rates; payment for compensatory time and personal leave outside of the District's policies and conflicting records.

During our 2006 audit, we noted the following:

1. The District's personnel files have been updated since the prior year audit but still lack proper evidence of authorized pay.
2. During our test of forty-six payroll transactions, we noted that only one pay rate could be traced to authorization by the Board.
3. Hours based on gross pay could not be traced to a time record for ten out of forty-six transactions sampled.
4. Gross pay was calculated incorrectly for eight out of forty-six transactions resulting in a total overpayment of \$251.76. The District identified this error on its own and had already informed employees that the wages plus FICA and Medicare had to be repaid to the District during 2007.
5. Six out of forty-six transactions sampled, were not supported by approved time records.
6. As stated in the prior year audit, the former Office Manager had excessive overtime hours which continued until her termination in March 2006. For the period January 1 through March 23, 2006, the former Office Manager had fifty-one overtime hours.
7. During our subsequent events procedures in the prior year audit, we noted that the former Office Manager paid herself in 2006 for vacation time and mileage. According to the policy manual, vacation and sick leave does not accumulate and there were no accrued compensated absences at December 31, 2005.

Criteria: Compliance with laws, regulations, contracts and grants is the Board's responsibility. Article VII, Section 14 of the Louisiana Constitution prohibits donations and loans. The Louisiana Attorney General has opined that unearned pay, bonuses and advances violate Article VII, Section 14. The Board's response to the prior audit finding issued in August 2005 was "There will be no more overtime. Overtime will only be allowed when it is signed off on or approved by the Board." The District should follow prudent practice and its own policies concerning personnel, compensation and benefits.

**PRAIRIE ROAD WATER DISTRICT
MONROE, LOUISIANA**

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2006**

2006-9 Controls over Payroll Expenses (Continued)

Effect: The District has violated the Louisiana Constitution and its own policies and has incurred unnecessary expenses.

Recommendation: We recommend that the Board review the District's current policies and procedures, consider whether it should revise the policies and procedures considering whether the policies and procedures are accurate to ensure that payroll expenses are properly authorized and documented and that unnecessary expenses are prevented.

Board's Response: We discussed the prior years' findings with the Ouachita Parish Sheriff's office and will implement the auditors' recommendations.

2006-10 Nepotism

Condition: The 2004 audit, issued in August 2005, included the following finding, "During the year ended December 31, 2004, the son, daughter-in-law, and sister of the office manager of the district were employed by the District. Two of the three employees have been employed by the District on a part-time basis for several years. One of the family members was hired in 2004. There was no indication in the minutes of the board members meeting that the board approved the hiring or approved the employee's rate of pay." During the year ended December 31, 2005, the former office manager's son, sister and niece were employed by the District. For the period from January 2006 through March 2006, the former Office Manager's niece was employed by the District.

Criteria: Louisiana Revised Statute 42:1119 provides that no member of the immediate family of an agency head be employed by the agency. Agency head is defined as an administrative officer or a member of the board who exercises supervision at the agency. Compliance with laws, regulations, contracts and grants is the Board's responsibility.

Effect: The District has violated state law.

Recommendation: The Board should ensure that no immediate family members are hired in the future.

Board's Response: We will implement the auditor's recommendations.

**PRAIRIE ROAD WATER DISTRICT
MONROE, LOUISIANA**

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2006**

2006-11 Legal Expenses Paid for Former Employees Convicted of Theft and Filing False Records

Condition: During the audit of the 2005 financial statements, we noted legal expenses of \$3,550 paid to one attorney. The expenses appear to be related to the defense of the former Board President.

Criteria: Compliance with laws, regulations, contracts and grants is the Board's responsibility. Louisiana Attorney General Opinion 94-369 indicates that the District can only pay legal expenses if the employees/board members were found not guilty. Since all three were convicted, it appears that these expenses constitute donations of public funds.

Effect: The expenses appear to violate state law and are therefore unnecessary expenses of the District.

Recommendation: We recommend that the Board consult legal counsel and seek reimbursement from the former Board President.

Board's Response: We will implement the auditor's recommendations.



Hulsey, Harwood & Co.

A Professional Accounting Corporation

Certified Public Accountants

Management Letter

Prairie Road Water District
Monroe, Louisiana

In planning and performing our audit of the financial statements of Prairie Road Water District, as of and for the year ended December 31, 2006, we considered the District's internal control in order to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we noted certain operational matters that are presented for your consideration. This letter does not affect our report dated March 13, 2007, on the basic financial statements of the District. We will review the status of these comments during our next audit engagement. Our comments and recommendations which have been discussed with appropriate members of management are intended to result in improved operating efficiency. We will be pleased to discuss this comment in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendations.

ML 2006-1 BUDGET

Comment: While state law does not require that the District adopt a budget, a budget is a prudent internal control activity that does not require significant time or cost. It provides a framework for operations by serving as the Board's authorization for limits on expenses.

Recommendation: We recommend that the Board adopt an annual budget to be monitored on at least a quarterly basis. The Board should stipulate which employee(s) has authority to expend funds on behalf of the District and whether that authority is at the object level or at the function level and state that appropriations lapse at year end.

Board's Response: We will implement the auditor's recommendations.

Prairie Road Water District
Monroe, Louisiana
Management Letter
December 31, 2006

Our audit procedures are designed primarily to enable us to form opinions on the basic financial statements, and therefore, may not reveal all weaknesses in policies and procedures that may exist.

This report is intended solely for the information and use of the members of Prairie Road Water District, management, federal awarding agencies, pass-through entities and the Louisiana Legislative Auditor, and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of this report may be limited, under Louisiana Revised Statute 24:513, it is issued by the Legislative Auditor as a public document.

HULSEY, HARWOOD & CO., CPAs
A Professional Accounting Corporation

Hulsey, Harwood & Co.

March 13, 2007

**PRAIRIE ROAD WATER DISTRICT
MONROE, LOUISIANA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2006**

2005-1 Lack of Segregation of Duties

Initially Occurred: 2005

Corrective Action Taken: Partial

Planned Corrective Action: See current year finding.

2005-2 Minutes of Meetings

Initially Occurred: 2005

Corrective Action Taken: Yes

Planned Corrective Action: Not applicable. See current year finding.

2005-3 Depositing Funds Timely and In Tact

Initially Occurred: 2005

Corrective Action Taken: Yes

Planned Corrective Action: See current year finding.

2005-4 Billing Errors

Initially Occurred: 2005

Corrective Action Taken: Partial

Planned Corrective Action: See current year finding.

2005-5 Failure to Properly Collect and Remit Sales Tax

Initially Occurred: 2005

Corrective Action Taken: Partial

Planned Corrective Action: See current year finding.

**PRAIRIE ROAD WATER DISTRICT
MONROE, LOUISIANA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2006**

2005-6 Incorrect Meter Deposit Refunds

Initially Occurred: 2005

Corrective Action Taken: Yes

Planned Corrective Action: See current year finding.

2005-7 Computer Equipment Missing

Initially Occurred: 2005

Corrective Action Taken: Partial

Planned Corrective Action: See current year finding.

2005-8 Unsupported and Unnecessary Expenses

Initially Occurred: 2004

Corrective Action Taken: Yes

Planned Corrective Action: Not applicable. See current year finding.

2005-9 Need to Improve Controls over Payroll Expenses

Initially Occurred: 2004

Corrective Action Taken: Yes

Planned Corrective Action: See current year finding.

2005-10 Nepotism

Initially Occurred: 2004

Corrective Action Taken: Yes

Planned Corrective Action: Not applicable. See current year finding.

**PRAIRIE ROAD WATER DISTRICT
MONROE, LOUISIANA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2006**

2005-11 Unemployment Benefits Claimed by the Former Office Manager

Initially Occurred: 2005

Corrective Action Taken: Yes

Planned Corrective Action: Not applicable.

2005-12 Legal Expenses Paid for Former Employees Convicted of Theft and Filing False Records

Initially Occurred: 2005

Corrective Action Taken: Partial

Planned Corrective Action: See current year finding.

2005-13 Need to Complete Audit within Time Frame Mandated by State Law

Initially Occurred: 2005

Corrective Action Taken: Yes

Planned Corrective Action: Not applicable.

ML 2005-1 Budget

Initially Occurred: 2005

Corrective Action Taken: No

Planned Corrective Action: See current year comment ML 2006-1.